

Health Subcommittee Hearing Highlights Need for State Fiscal Relief, Increased Federal Support for Medicaid

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“Unfortunately, the situation facing the States is dire,” said Rep. John D. Dingell (D-MI), Chairman of the Committee on Energy and Commerce. “As the current economic downturn continues and the House considers a second stimulus package, today’s hearing provides insight into the role that Medicaid can play in easing financial stress and helping cash-strapped States provide health coverage to low-income residents.”

At least 29 States plus the District of Columbia have faced or are facing an estimated \$48 billion in combined budget shortfalls for fiscal year 2009. Three additional States are predicting budget difficulty in 2010. Unlike the Federal government, most States cannot run budget deficits or borrow funds for their operating budgets. As a result, many States are forced to alleviate budget pressures by cutting access to vital

healthcare services.

"As unemployment increases, more Americans lose their employer-sponsored health care coverage and turn to Medicaid for their health care needs," said Pallone. "Today's hearing highlights why Congress must act to ensure that Medicaid remains the safety net that protects American families negatively impacted by the economic downturn."

As of July 2008, at least 13 States had implemented or considered cuts to Medicaid. These program cuts come at a time when the need for the Medicaid safety net grows more acute. A study conducted by the Kaiser Family Foundation found that a one percent increase in the national unemployment rate increases Medicaid and SCHIP enrollment by one million, increasing State spending by approximately \$1.4 billion.

A panel of five witnesses testified before the Subcommittee, outlining the current economic challenges facing States. During her testimony, Heather Howard, Commissioner, New Jersey Department of Health and Senior Services, called on Congress to support increased Medicaid funding, stating, "In these hard economic times, not only are states seeing reduced state revenues, more people are qualifying for need-based benefit programs, further exacerbating state shortfalls. In response, some states have already implemented cuts to public health programs, and clearly more will be forced to do so as the recession worsens, unless Congress approves temporary, increased Medicaid funding."

On February 7, 2008, Pallone and Peter King (R-NY) introduced H.R. 5268, a bill to provide State fiscal relief through an increase in the Federal Medical Assistance Percentage (FMAP).

The cost of the Medicaid program, which serves more than 61 million Americans, is shared between the States and the Federal government. The state-specific Federal share of Medicaid costs is determined by a statutory formula that establishes higher Federal shares for the States with per capita personal income levels lower than the national average. The Federal share, or Federal Medical Assistance Percentage (FMAP), is at least 50 percent of the State's Medicaid costs and can be as high as 83 percent.

In 2003, Congress passed and President Bush signed into law an economic stimulus package that included an FMAP increase at a cost of \$10 billion. This increase provided critical

economic support and helped maintain Medicaid coverage for millions of Americans.

[Click here](#) for additional information on today's hearing, including witness testimony.

Prepared by the Committee on Energy and Commerce

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